

amount of capital, including bonds, of 305 "industrial trusts" was estimated at \$6,717,791,533.<sup>1</sup> Of these the greatest, and in many ways the typical consolidation was the United States Steel Corporation, formed in 1901 by the skill of Mr. J. Pierpont Morgan and representing capital and bond issues of nearly \$1,400,000,000.

It was inevitable that the conspicuous creation of such a mass of new securities should draw into the maelstrom of stock exchange speculation a new public which had not been there before, that prices of securities should be forced by extravagant expectations to heights not warranted by real value, and that the market should react violently under every sudden gust of adverse influence. Such a reaction, of extreme violence, took place on the 9th of May, 1901, but it was due to a single episode in stock exchange speculation which had an economic character only in the sense that it was typical of many similar operations.<sup>a</sup> A struggle for control of the Northern Pacific Railway between the rival Morgan and Hill interests led to a rapid advance in the stock, and large "short" sales. The price, from 45<sup>^</sup> in September, 1900, advanced under steady buying to 149 Ji on May 7, 1901, and on the next day to 180. Then the fact dawned upon the market that to two banking houses alone more stock had been sold than was available for delivery. The stock was<sup>44</sup> "cornered."<sup>3</sup> A violent scramble to obtain the stock at almost any price to make deliveries caused other securities to be thrown on the market at a sacrifice, and advanced Northern Pacific to 1000. As compared with the prices of two days before, Atchison declined 44<sup>^</sup> points ; St. Paul, 53 ; New York Central, 25 ; Southern Pacific, 27<sup>^</sup> ; Amalgamated Copper, 33<sup>^</sup>. Money rose for a moment to 75 per cent, and President Tappen of the Gallatin Bank formed a

<sup>1</sup> John Moody, *The Truth about the Trusts*, 453~67-<sup>s</sup> Mr. W. R. Lawson declares ; " The colossal gambles which follow each other so rapidly in Wall Street and in the 'grain-pit' must shake confidence in the whole commercial system which permits them.\*"—American Industrial Problems, 216. <sup>8</sup> *New York Bankers ^ Magazine*, June, 1901, LXL, 918.